

State of California



Fair Political Practices Commission

P.O. BOX 807 • SACRAMENTO, 95804 • • • 1100 K STREET BUILDING, SACRAMENTO, 95814

Technical Assistance • • Administration • • Executive/Legal • • Enforcement
(916) 322-5662 322-5660 322-5901 322-6441

June 18, 1985

Robert N. Noyce, Member
Enterprise 2000
5150 El Camino Real, Suite B32
Los Altos, CA 94022

Re: Your Request for Advice
Our File No. A-85-114

Dear Mr. Noyce:

At its meeting yesterday, the Fair Political Practices Commission considered your May 13, 1985 request for advice concerning the participation by certain Regents in decisions by the University of California Board of Regents on proposals for the divestment of University investments in companies doing business in South Africa. Based on the requests from UC General Counsel Donald Reidharr and four individual Regents, opinions and information supplied by Mr. Reidharr and others, the FPPC staff memorandum of June 12, 1985, the June 15, 1985 memorandum submitted by the UC General Counsel's office, and the oral testimony presented before the Commission, the Commission has directed staff to provide the following advice:

(1) A Regent is required by the Political Reform Act (Government Code Section 87100) to disqualify himself or herself from a decision on divestment if it is reasonably foreseeable that the effect of that decision could increase or decrease the value of stock held by the Regent or by a member of the Regent's immediate family by \$250 or more. This applies to stock in any company traded on a national stock exchange.

(2) If a Regent or a member of the Regent's immediate family has stock held in a trust, the above rule applies if the Regent or his or her spouse controls whether the stock held by the trust will be bought or sold. If neither the Regent nor his or her spouse has such control over the trust, the trust will be treated as a business entity. In such a situation, the Regent shall be required to disqualify himself or herself only if it is reasonably foreseeable that a decision would have an effect of \$10,000 or more on the trust.

Robert N. Noyce, Member
June 18, 1985
Page 2

(3) It is possible that the Regents will be asked to decide whether UC should divest stocks of companies doing business in South Africa, with no time limit placed on divestment, with an instruction to the Treasurer simply to follow UC's usual prudent investment policies, or in accordance with one of the other options set forth in the UC Treasurer's Report. It is not reasonably foreseeable that such a decision would affect the value of the stock to be divested. Therefore, no Regent would be disqualified on the basis of his or her personal stockholdings from such a decision.

(4) On the other hand, the Regents may be asked to divest immediately, or within a relatively short time frame such as one or two years. It is reasonably foreseeable that such a public decision by the Regents would affect the price of stock to be sold by UC. If any Regent owns enough of the stock covered by such a decision that the price drop would decrease that Regent's holdings by \$250 or more, disqualification would be required.

As you can see, even Regents who own stock in companies as to which UC is considering divestment can probably vote on the majority of motions likely to be placed before the Regents. Disqualification by an individual Regent will be required only if the following three conditions are met:

(1) The proposal before the Regents involves divestment of stock which the individual Regent (or his immediate family) also owns.

(2) The proposal must require divestment either immediately or within a limited period of time.

(3) The Regent (or his or her immediate family) must own enough of the stock that the reasonably foreseeable effect of the price decrease on the Regent's portfolio is at least \$250.

Very truly yours,

Barbara A. Milman
General Counsel

BAM:nwm

Dr. David P. Gardner
President of the University
714 University Hall
University of California, Berkeley
Berkeley, CA 94720

William J. Milliken
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June 19, 1985

Robert N. Noyce
Enterprise 2000
5150 El Camino Real, Suite B32
Los Altos, CA 94022

Re: Advice Letter No. A-85-114

Dear Regent Noyce:

You have asked how our advice letter of June 18, 1985 would apply to certain situations which may arise at the Regents' June 21, 1985 meeting. It is our understanding that you own over \$100,000 of IBM stock. You want to know more specifically when you might have to disqualify yourself.

In our advice letter of June 18 we informed you that you would have to disqualify yourself only when the proposals before the Regents include a proposal which meets the following three criteria:

- (1) The proposal before the Regents involves divestment of stock in a company in which you also own stock.
- (2) The proposal must require divestment either immediately or within a limited period of time.
- (3) You own enough of the stock that the reasonably foreseeable effect of the price decrease on your stock is at least \$250.

Since you own over \$100,000 of IBM stock, any proposal which would require U.C. to divest IBM stock within a limited time period would, under the Commission's June 17 decision, satisfy criteria (1) and (3). However, the second criterion must also be satisfied before disqualification is required.

It is our understanding that a number of different situations may arise at the June 21 meeting. There may be a proposal before the Regents (perhaps along with other proposals)

Regent Robert N. Noyce
June 19, 1985
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which meets all three criteria; at such a time you would be required to disqualify yourself from any participation in discussions of or votes on any of the proposals before the Regents. This is an important point; the disqualification provisions of the Act do not apply only to votes. They apply to all discussions of issues before the Regents; participating in a discussion on divestment, even if there is no specific motion before the Regents, is participating in a decision. The Act (Government Code Section 87100) prohibits an official from "making, participating in the making of, or using his or her official position to influence" a decision in which he or she has a financial interest.

Although our advice on how the criteria should be applied must be somewhat general, since we do not know exactly what will be before the Regents, we can help you by applying the Commission's decision to the types of decisions or issues which are likely to arise on June 21. These situations include:

1. A motion may be made for divestment (including divestment of IBM stock) which provides that the Treasurer shall have no time limit on carrying out the divestment, or the motion may provide that divestment be carried out in the Treasurer's discretion according to UC's usual investment policies or according to one of the options in the Treasurer's report. If the Regents' discussion and vote is limited to a decision on a motion of this type, and no other proposal is before the Regents, no disqualification is required.

2. A motion may be made for divestment (including divestment of IBM stock) which provides for divestment within a limited time period, or the motion may provide no specific time limit, but may be made with the understanding that if divestment is agreed upon, the Regents will then set a time limit or limits for the divestment. A proposal of this type clearly meets all three criteria. If the Regents are considering this type of motion, disqualification would be required.

3. A motion may be made for divestment with no mention of whether or not there will be time limits for the divestment. Unless the issue of the timing of any possible divestment has already been decided by a prior vote, the question of timing is still on the table, and both proposals for divestment within a limited time and proposals for divestment without any time limit would still be before the Regents. Discussion or a vote on the motion would be likely to affect both types of proposals. As a result, disqualification would be required.

Regent Robert N. Noyce
June 19, 1985
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4. A motion may be made which would not require disqualification (such as a motion for divestment with no time limits). An amendment or substitute motion may then be offered which would require disqualification (such as a motion to divest within a limited time frame). Since a proposal on which disqualification is required (the amended or substitute motion) would be before the Regents in this situation, disqualification from any discussion or vote on whether the original motion should be amended, or a substitute motion accepted, would be required.

5. The situation described above could be reversed; a motion to amend or a substitute motion could be offered to an original motion which required disqualification. Even if the amendment or substitute motion would not of itself require disqualification, disqualification would be required on any discussion or vote on whether to amend or accept a substitute motion, because the original motion (a proposal requiring disqualification) would still be before the Regents.

6. A motion may be made to consider divestment on a company by company basis. So long as such a motion is purely procedural, and no other divestment decisions are tied to the motion or the discussion, disqualification would not be required.

7. A motion may be made to consider divestment in a particular company in which you hold no stock. So long as the motion, or the discussion on the motion, does not involve general principles (such as whether divestment for this and other stock should be completed in a limited time, or whether companies which follow the Sullivan principles shall be covered) which apply to IBM, your disqualification would not be required.

8. There may be a general discussion with no specific motion on the table, or there may be a general discussion after a motion has been made. If the proposals for divestment within a limited time are or may be part of the discussion, they are before the Regents, and disqualification is required. In view of the fact that lively and broad ranging discussion of issues is likely to occur on June 21, our advice is that you should disqualify yourself from all general discussions of divestment so long as the option of divestment of IBM stock within a limited time period has not been explicitly rejected, or whenever it is still a real option before the Regents. Of course, if the option of divestment of IBM stock within a limited period has been rejected by a vote of the other Regents, or is otherwise clearly no longer an option before the Regents,

Regent Robert N. Noyce
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you may participate fully in further discussions of and votes on the issue.

You have also asked whether the Commission advice on the divestment issue applies to you in your role as a member of the Regents investment committee. Because the investment committee's decisions are usually so different in kind and magnitude from the proposed divestment decisions, our analysis of those decisions would be different from our analysis of divestment. Consequently, our advice as to such decisions may be different. Robert Leidigh will be in touch with you to discuss this question with you further.

Very truly yours,

Barbara A. Milman
General Counsel

BAM:nwm

cc: Members of the Board of Regents
Donald Reidhaar, General Counsel, University of California

ENTERPRISE 2000

5150 EL CAMINO REAL
SUITE B32
LOS ALTOS, CA 94022

(415) 969-5300

May 13, 1985

Fair Political Practices Commission
1100 K Street
Sacramento, CA 95814

Re: Request for Advice: Participation as a Regent of the University of California in Decision to Consider Divestment of Companies Doing Business in South Africa

Dear Sir or Madam:

I am a Regent of the University of California, and I am writing to request an advice letter. At its meeting of June 20-21, 1985 the Board of Regents will be considering whether to sell some or all of the securities in its retirement and endowment funds which are issued by companies doing business in South Africa. I have a financial interest in the following company which I am informed is in the University's portfolio and does business in South Africa:

I have investments of more than one thousand dollars in IBM.

The above company is a publicly traded company on the New York Stock Exchange and is, therefore, subject to the regulation defining "material financial effect" found at Cal.Admin.Code, Title 11, 18702.2. Attached is a letter dated May 10, 1985 from the General Counsel of The Regents, Donald L. Reidhaar, setting forth relevant information and concluding that a divestment decision by The Regents will not foreseeably have a financial effect on the companies. General Counsel Reidhaar has also informed me that he will attempt to provide you with any further information you may need. His telephone number is : (415) 642-2822. His address is Donald L. Reidhaar, General Counsel, Office of the General Counsel, 590 University Hall, University of California, Berkeley, CA 94720.

I request that you provide me an advice letter on whether I am permitted to participate in the decision or decisions to be made by the Board of Regents regarding divestment.

Thank you very much for your assistance.

Sincerely,

Robert N. Noyce

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

OFFICE OF THE GENERAL COUNSEL



Donald L. Reidhaar
GENERAL COUNSEL

James E. Holst
DEPUTY
GENERAL COUNSEL

Susan Amateau	Lloyd C. Lee
Melvin W. Beal	John F. Lundberg
Joanna M. Beam	Mary E. MacDonald
Eric K. Behrens	George L. Marchand
A. Jan Behrsin	Stephen P. Morrell
David M. Birnbaum	Gary Morrison
Marcia J. Canning	James N. Odle
Claudia Cate	Edward M. Opton, Jr.
Martha M. Chase	Romulus B. Portwood
David A. Dorinson	Philip E. Spiekerman
Shelley W. Drake	Fred Takemiya
Karl E. Droese, Jr.	Susan M. Thomas
Virginia S. George	Allen B. Wagner
Milton H. Gordon	Glenn R. Woods
Karen F. Hazel	Lea Llewellyn Zaffaroni
Christine Helwick	

May 10, 1985

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

Re: Conflict of Interest - Disqualification - Political
Reform Act of 1974 - Participation in Decisions
Concerning Divestment

Dear Members of the Board:

I am writing to provide advice with respect to Regents participating in the decision of whether to divest the University's investments in companies doing business in South Africa.^{1/} It has been suggested that a Regent who has investments in companies which are in the University's portfolio and which might be subject to divestment, or who is a director or other official of such company, may be disqualified from participating in decisions to be made by the Regents regarding divestment. For the reasons discussed below, it is my opinion that disqualification is not required. As indicated in the concluding portion of this letter, any Regent may, if he or she wishes, request written advice from the Fair Political Practices Commission on this issue. You may also wish to discuss this matter with your private counsel.

The University's Conflict of Interest Code, adopted pursuant to the Political Reform Act of 1974 (Gov. Code, § 81000 et seq.), provides:

"No designated employee [including Members of the Board] shall make, participate in making, or use his or her official positions to influence the making or any

^{1/} Attached to this letter is a listing prepared by the Treasurer's Office of companies in the University's portfolio which do business in South Africa.

governmental decision which will foreseeably have a material financial effect, distinguishable from its effect on the public generally, on:

"(A) Any business entity^{2/} in which the designated employee has a direct or indirect investment^{3/} worth one thousand dollars (\$1,000) or more;

"(B) Any real property in which the designated employee has a direct or indirect interest worth one thousand dollars (\$1,000) or more;

"(C) Any source of income,^{4/} other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating two hundred fifty dollars (\$250) or more in value provided to, received by or promised to the designated employee within twelve months prior to the time when the decision is made; or

"(D) Any business entity in which the designated employee is a director, officer, partner, trustee, employee, or holds any position of management."

Under these provisions a Regent may not participate in a decision regarding divestment if it will "foreseeably" have a "material financial effect" on a company in which a Regent has a "financial

2/ The term "business entity" means any organization operated for profit (Gov. Code, § 82005), which either has interests in real property, does business, plans to do business, or has done business in the preceding two years in California (§§ 82034 and 82035). Every company which does business in South Africa in which the University has invested meets one or more of these criteria.

3/ "Investment" includes stocks having a value of \$1,000 or more issued by any business entity. (Gov. Code, § 82034.)

4/ Income does not include dividends, interest, or any other return on a security which is registered with the Securities and Exchange Commission of the United States government. (Gov. Code, § 82030, subd. (b)(5).)

interest," such as ownership of securities or a position of management, including serving as a director. Neither the statute nor regulations define when an effect is "foreseeable." However, "foreseeability" is a concept commonly used in tort law and in a published opinion the Fair Political Practices Commission (FPPC) has given the word its normal tort law meaning: it is likely or there is a substantial probability that an action will have a particular result. (1 FPPC Ops. 198, 203-204.)

Whether an effect on a "financial interest" is "material" is governed by complex regulations of the Fair Political Practices Commission.

On April 16, 1985, the Commission promulgated a new regulation defining materiality. (Cal. Admin. Code, tit. 2, § 18702.2.) The companies in the University's portfolio, doing business in South Africa, are all publicly-traded companies on the New York Stock Exchange and are, therefore, covered by section 18702.2(C) of this new regulation which provides that a decision will have a "material" effect on such an entity if:

"(1) The decision will result in an increase or decrease to the gross revenues for a fiscal year of \$250,000 or more, except in the case of any business entity listed in the most recently published Fortune Magazine Directory of the 500 largest U.S. industrial corporations or the 500 largest U.S. non-industrial corporations,^{5/} in which case the increase or decrease in gross revenues must be \$1,000,000 or more; or

"(2) The decision will result in the business entity incurring or avoiding additional expenses or reducing or eliminating existing expenses for a fiscal year in the amount of \$100,000 or more, except in the case of any business entity listed in the most recently published Fortune Magazine Directory of the 500 largest U.S. industrial corporations or the 500 largest U.S. non-industrial corporations, in which case the increase or decrease in expenditures must be \$250,000 or more; or

^{5/} Of the University's investments in companies doing business in South Africa, all are within the "Fortune 500" lists of the largest U.S. industrial corporations and non-industrial corporations, except for the following: Marsh & McLenna (common stock holding) and Warner Communications (bond holding).

"(3) The decision will result in an increase or decrease in the value of assets or liabilities of \$250,000 or more, except in the case of any business entity listed in the most recently published Fortune Magazine Directory of the 500 largest U.S. industrial corporations or the 500 largest U.S. non-industrial corporations, in which case the increase or decrease in assets or liabilities must be \$1,000,000 or more."^{6/}

The first issue under this regulation is whether a divestment decision would increase or decrease the gross revenues of a corporation the securities of which would be involved. I can think of no circumstances under which such an increase or decrease is foreseeable. It is possible that a corporation might take certain action following a divestment decision, such as selling its operations in South Africa, which could affect gross revenues, the incurrence or avoidance of additional expenses, or an increase or decrease in assets. But such action would depend on the decision of a third party, the corporation. Whether the corporation might take such an action following a divestment decision by the University could only be viewed as speculative and not foreseeable.

^{6/} The new regulation increased the materiality threshold for such companies from \$100,000 to \$250,000 for large publicly-traded companies, except for "Fortune 500" companies where the threshold was raised to \$1,000,000. Although a number of commentators on the regulation proposed that a percentage test be adopted, the Commission staff recommended otherwise.

The revised regulation has been submitted to the Office of Administrative Law pursuant to Government Code section 11349.3. The OAL has thirty days to approve or disapprove the regulation. If approved, the OAL transmits the regulation to the Secretary of State for filing. The regulation becomes effective thirty days after filing with the Secretary of State. It is expected that the OAL will approve the regulation and that it will become effective sometime in July 1985. Since the present regulation (Cal. Admin. Code, tit. 2, § 18702, subd. (b)) does not provide clear guidance and the monetary thresholds were clearly too low for large publicly-traded companies in determining whether it is reasonably foreseeable that the effects of a governmental decision will have a significant effect on the business entity, the Commission has indicated that officials may utilize the new regulation pending its becoming effective in determining whether disqualification is necessary.

The second issue is whether a divestment decision would cause such an involved company to incur or avoid additional expenses, or reduce or eliminate existing expenses. Here, again, I can think of no circumstances under which it could be said that it is foreseeable that a University decision on divestment would cause such an impact on company expenses.

The third issue is whether the decision will result in an increase or decrease in the value of assets or liabilities of the company. It is conceivable that the implementation of a decision to divest could cause the market price of the shares to be affected. If this were to happen, the assets and liabilities of a corporation could fluctuate if the corporation held treasury stock and carried such stock at market value on its books.

Treasurer Gordon informs me that, from time to time, the University does sell particular holdings. The uniform practice, when selling the University's holdings, is to do so in a measured, phased way over time, usually taking advantage of upturns in the market, and with a view of avoiding disturbing the price at which the security is being traded. The Treasurer further informs me that all of the University's investments which would be subject to sale in the event of broadscale divestment are in large companies with high trading volumes. The University's holding in any company is a small part of the outstanding stock. In all cases the University's holding is less than five percent; in many cases it is less than one percent. In these circumstances, the Treasurer advises that if divestment were to occur over a period of months, there is no reason to believe there would be any significant effect on the sales price of the securities by reason of the University's divestment. Even if one were to assume that there might be some slight temporary downward pressure on the price of the securities from the University's sales, any such effect would be minor and fleeting.

If the Regents were to take a divestment action, their trust obligations of prudence in investment management would require that it be implemented in a phased way over time consistent with the practice described above. Accordingly, it is my opinion that it is not foreseeable that a divestment decision by the Regents would have a material financial effect upon the company or companies subject to divestment and, thus, there is no need for disqualification on the part of Regents who may have divestments in those companies.

In an April 30, 1985, letter to Assemblymember Tom Bates, Legislative Counsel Bion M. Gregory expressed opinions regarding the foreseeability and materiality of the financial effects of divestment decisions under the Commission's regulation quoted above:

"Of these three possible effects which a governmental decision might have in a business entity, the likelihood that either of the first two (i.e., an increase or decrease in gross revenues, or the incurrance [sic] or avoidance of additional expenses) will occur as the result of a corporate stock divestment decision by the Regents of the University of California, seems highly improbable. We are not aware of any circumstances in which the university's divestiture of all of its stock in a particular multinational corporation would cause a substantial change in the gross revenues or expenses of the corporation. Even if such an occurrence were to result from the university's divestment decision, that result must have been reasonably foreseeable in order to be cognizable under Sections 87100 and 87103.

"On the other hand, circumstances could conceivably exist in which a divestment decision by the Regents of the University of California would result in an increase or decrease in the assets of a corporation. The value of a corporation's own stocks held by the corporation and classed as assets of the corporation could possibly be affected if a stockholder, such as the University of California, owning a substantial share of the outstanding stocks of the corporation, were to dispose of those stocks over a short period of time. If a member of the Regents of the University of California met the threshold divestment criteria for a potentially disqualifying interest in the corporation, and if it was reasonably foreseeable that a decision by the Regents of the University of California to sell the university's holdings of that corporation's stock would result in the corporation's assets being increased or decreased by the amount specified in Section 18702.2 of Title 2 of the California Administrative Code, we think that in this limited circumstance the member of the Regents of the University of California would have a conflict of interest which would disqualify the member from voting on the decision. We emphasize, however, that the resulting effect of a governmental decision on the corporation's assets must have been reasonably foreseeable in order to disqualify an

official from participating in that decision."
(Emphasis added.)

As discussed above, divestment of the University's holdings would not be carried out "over a short period of time." Rather, sales would be made over time with the amounts and timing of sales such as not to disturb the market price. I understand the Legislative Counsel's opinion to be entirely consistent with the opinion expressed in this letter.

The Political Reform Act makes provision for the issuance of formal opinions or advice letters by the Fair Political Practices Commission.

Government Code section 83114 provides:

"(a) Any person may request the commission to issue an opinion with respect to his duties under this title. The commission shall, within 14 days, either issue the opinion or advise the person who made the request whether an opinion will be issued. No person who acts in good faith on an opinion issued to him by the commission shall be subject to criminal or civil penalties for so acting, provided that the material facts are as stated in the opinion request. The commission's opinions shall be public records and may from time to time be published.

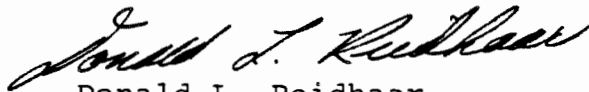
"(b) Any person may request the commission to provide written advice with respect to the person's duties under this title. Such advice shall be provided within 21 working days of the request, provided that the time may be extended for good cause. It shall be a complete defense in any enforcement proceeding initiated by the commission, and evidence of good faith conduct in any other civil or criminal proceeding, if the requester, at least 21 working days prior to the alleged violation, requested written advice from the commission in good faith, disclosed truthfully all the material facts, and committed the acts complained of either in reliance on the advice or because of the failure of the commission to provide advice within 21 days of the request or such later extended time."

Because officials are entitled to rely upon opinions or advice letters from the FPPC, members of the Board with investments in (or who are officials of) companies in the University's portfolio which might be subject to divestment, may wish to consider seeking an advice letter from the Commission. Attached is a

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
May 10, 1985
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form of letter which might be used in requesting such an advice letter. Because the Commission has a minimum of 21 working days for the issuance of an advice letter, I would suggest that requests for such advice letters be submitted as soon as possible and to be received by the Commission not later than May 22, 1985. I am sending a copy of this letter to the Commission so that it will be aware of the opinion which I have provided to Regents regarding this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Donald L. Reidhaar", is written over the typed name.

Donald L. Reidhaar
General Counsel

Attn. 2

cc: Regents-designate
Faculty Representatives
Treasurer Gordon
Secretary Smotony

COMPANIES DOING BUSINESS IN SOUTH AFRICA
CONTAINED WITHIN UNIVERSITY OF CALIFORNIA PORTFOLIO

Common Stocks

American Home Products
Baker International
Baxter Travenol
Beatrice Companies
Caterpillar Tractor
Coca-Cola
Dow Chemical
Dun & Bradstreet
DuPont
Eastman Kodak
Exxon
General Electric
GTE Corp.
Hewlett Packard
IBM
Johnson & Johnson
Marsh and McLennan
Merck
Minnesota Mining
Nabisco Brands
Nalco Chemical
Pfizer
Revlon
Upjohn
Xerox

Corporate Bonds

Abbott Labs
American Cyanamid
American Express
Beatrice Companies
Caterpillar Tractor
Citicorp
Dow Chemical
Eaton
General Foods
MMM
Union Carbide
Warner Commun.

An Appraisal: South Africa Sales Trouble Many Money Managers

ABREAST OF THE MARKET

By BEATRICE E. GARCIA

When New Jersey's pension fund sold \$117 million of blue chip stocks last Monday as part of a South African divestiture program, many traders blamed that for at least part of the day's 26-point drop in the Dow Jones Industrial Average.

Some market watchers say that with many investors on the sidelines fretting about the direction of the economy and the outlook for corporate profits, the market was vulnerable and the New Jersey selling was disruptive.

However, others contend that, as one trader put it, "South African divestiture doesn't mean a hill of beans to stock prices." And many analysts and academicians support this view.

But such divestitures do present substantial problems for money managers. Avoiding investments in companies with a South African involvement tends to push them into a less liquid section of the stock market where the risks are greater and the rewards more uncertain.

According to Wilshire Associates in Los Angeles, companies doing business in South Africa represent 40% of the market capitalization on Standard & Poor's 500-stock index. And because the stocks on the S&P index are so widely owned by institutions, Thomas D. Stevens, chief investment officer at Wilshire Associates, estimates that they would represent about 40% of most institutional portfolios.

"You're taking away 40% of the investment universe and opening a Pandora's box about where you're going to find a home for all this money," Mr. Stevens says.

Wilshire says its research shows that institutional investments in business machines, drugs and medicine, international oil, chemical and auto stocks would be reduced dramatically.

Market professionals worry that divestiture could push money away from the stock market and that investor boycotts of companies with South African ties might eventually hamper those companies' fund-raising abilities.

According to the American Committee on Africa, 116 university endowment funds and 70 city, 13 county and 19 state pension and investment funds have adopted some South African divestiture requirement. Some laws, such as those passed in New Jersey and California, are comprehensive enough to require billions of dollars of divestments. The committee estimates that investments totaling \$18.5 billion, equal to 10% of the nation's public investment funds, are scheduled for divestiture.

However, Hugh Johnson, head of the investment policy committee at First Albany Corp., says that although a decision to sell might produce a brief knee-jerk reaction in the stock market, he believes the market

He and others say that for every seller of International Business Machines or General Motors, there are plenty of ready buyers. Moreover, they say, money managers can be expected to be sensitive about causing major price dislocations, and no one would be forced to sell in a rapidly declining market. Typically, state laws mandating South Africa divestment programs allow investors a year or more to complete their sales. The California law allows four years.

The decision by U.S. corporations to pull out of South Africa has reduced the number of issues that some public pension plans must sell.

Although Wilshire's studies show little difference between the performance of the S&P 500 index and that of an index without the big South Africa-related stocks over five-year and 10-year periods, they indicate there could be significant swings in quarterly or annual performance. For instance, the S&P index rose 21.1% in 1982, while a hypothetical "South Africa-free" index gained only 15.5%. In 1979 and 1980, on the other hand, the South Africa-free issues outperformed the overall S&P index.

"If you're interested in maximizing performance, you don't put any restrictions" on investment portfolios, Wilshire's Mr. Stevens says.

Friday's Market Activity

Takeover stories dominated an otherwise lackluster session in which stock prices drifted down in moderately active trading.

The Dow Jones Industrial Average fell 2.67 points to 1832.26 as volume on the New York Stock Exchange dropped to 137.5 million shares from 150.9 million Thursday.

Trading in Allied Stores represented a big chunk of the activity. Campeau bought 25.8 million Allied shares in the open market, but Allied received a temporary restraining order preventing Campeau from completing the purchase. Allied, the most active Big Board issue, fell $\frac{1}{2}$ to 66 $\frac{1}{2}$.

Transworld, rumored to be a takeover target, rose $\frac{1}{4}$ to 39 $\frac{1}{2}$ on volume of 5.4 million. The company said it was told that two or more entities associated with Ronald O. Perelman, chairman of Revlon Group, acquired 15% of Transworld's common outstanding.

CPC, another rumored takeover target, gained $\frac{3}{4}$ to 76 $\frac{1}{2}$. The company wouldn't comment on the takeover rumors or the price rise.

U.S. Gypsum, which has been active on takeover rumors, rose $\frac{1}{4}$ to 22 $\frac{1}{2}$. The company wouldn't comment on the activity.

VOLUME SUMMARY

Trading totals for the week ended Oct. 24, 1982			
	Week	1982	1981
NYSE composite	781,217,480	34,094,028,615	25,957,406,961
Warrants	1,499,320	156,620,740	84,288,645
NYSE	621,422,530	28,493,493,614	21,812,711,561
Warrants	1,679,800	156,454,480	81,407,600
Nasdaq OTC	491,884,300	23,541,247,082	16,198,433,139

36

8.47
6.49
5.71
7.66

2.91
3.08
6.09
5.09
9.49

12.77
12.76
6.46
18.56
6.45

9.77
7.00
13.07
17.87
9.88
7.29

6.58
10.62
24.18
5.55
11.92

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2.213
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230

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